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2009 Lawrence County Trending Project

Activity Summary

General

Lawrence County is made up of 9 townships, including the two largest which are Marion and Shawswick. Like most of the state the residential real estate market slowed in most areas of the county beginning in 2006 and continued to slow in both 2007 and 2008. The number of sales has fallen and the percentage of forced or distressed sales has increased, however there is no overall decline in sale prices shown through the end of 2008. Growth has been most evident in Marshall and Perry Townships where new development has been influenced by the close proximity to Bloomington.

The commercial sector has seen mixed results with some new development on the north side of Bedford near the new Wal-Mart shopping center. While growth has increased in this area, the addition of the new store has had an adverse effect near the location of the former store. Outside of the north side of Bedford there has been little new commercial activity other than scattered sites in Marion and Marshall Townships along Highway 37. The number of commercial buildings permits fell sharply during 2008.

The Industrial sector has been relatively static. There has been relatively little new construction among the larger facilities in the county, with the exception of the stone mills. Some smaller shops have been added during the past few years. The two largest manufacturers in the county have been severely affected by the downturn in the economy. The General Motors Powertrain plant has been hurt by the lack of demand in the automotive sector, and the Ford Visteon Plant shut its doors and laid off its entire workforce. The Visteon plant was sold in 2008 with plans of reopening on a much smaller scale as a contractor to supply products to the Crane Naval Weapons Center.

Commercial

In the cities of Bedford and Mitchell a large enough sample of improved commercial sales was available to develop a trending factor. This factor was relatively small, but applying this trend factor to the improved parcels yielded an increase in almost all of the parcels. A majority of Commercial parcels in both of these taxing units were increased during the 2006 through 2008 trending projects. In all of the remaining taxing districts the number of improved sales was limited. In those districts a cost index derived from *Marshall and Swift* was loaded into the county's Proval software system and batch recalculations of commercial and industrial properties were carried out. This was done during each of the 2007, 2008 and 2009 trending projects.

The cost index was developed from reviewing 4 different time-adjusted indexes in the *Marshall and Swift* manual. The index arrived at for the 2007 trending was 1.33 (133%). That factor was changed to 1.39 (139%) for the 2008 project and 1.41 (141%) for the 2009 project. After the Commercial and industrial recalculation was carried out in 2007, new depreciation figures were applied using January 1, 2006 as the new effective date to determine depreciation instead of the prior January 1, 1999 date. For the 2008 project the effective age for depreciation was changed to January 1, 2007. For the 2009 project the effective age for depreciation was January 1, 2008. Market data available was used to help determine obsolescence depreciation if needed.

As part of the review of commercial property, the county's appraisal vendor carried out field inspections and complete reassessments of 33% of the improved property in both Bedford and Mitchell during 2007, and an additional 33% of those parcels in 2008, and is completing a review of the remaining 33% in 2009. During the 2006 trending project an additional 10% of the commercial and industrial parcels county-wide were completely reworked. Over a 4-year span over 85% of the improved commercial and industrial property has been reviewed in the field and reworked when needed.

Commercial Land

In order to supplement the county's data base for commercial land the land the county contracted with an appraisal firm from Bloomington, that is actively involved in appraising commercial properties in the greater Bloomington-Bedford area, to provide appraisal data on commercial land in Marion and Shawswick Townships. This data has been used to support and revise the land values established by the county. During each of the 2006, 2007 and 2008 trending projects commercial land has been raised significantly. During the 2009 project those increases have been much more modest than in prior years. During the current project the largest increases were made to those properties along the main traffic corridors including Highway 37, 16th Street in Bedford, and the North side of Bedford along John Williams Blvd near the new Walmart center.

Residential

All sales disclosures for residential properties are initially verified and validated by the county assessor's office by phone contact with the parties involved in the sale. For those parcels where the sale price and assessed value differ by more than 20% a field inspection is carried out by the county's appraisal vendor. These inspections often result in finding renovated, omitted or removed improvements. Discussions with the owners onsite often yields new information about the financing or family relationships which do not always appear on the disclosures.

Sale prices throughout the county showed modest increases in 2006 and 2007. The number of foreclosures increased during the 2008 trending project and jumped again during the current 2009 trending project. The resulting number of distressed sales has created additional work during the verification process. Significant changes were made to the residential parcels during the 2006 trending project, but most of the changes for 2007 and 2008 were relatively modest.

Changes during 2009 have been extremely modest with some neighborhoods showing no change.

Income Producing Properties

Lawrence County has a relatively large number of multi-family housing apartments. Most of the multi-family developments are either low-income or elderly housing. These apartments include type 515 rural housing and section 42 tax credit apartments. The county has obtained income and expense data from the majority of those properties. Almost all of the multi-family apartments were appealed during the 2002 reassessment and/or following the 2006, 2007 and 2008 trending projects. The process of comparing the capitalized net income to the assessed valuations has been an ongoing activity since the 2002 reval. The county has also gathered rental data from a significant number of residential rentals to develop GRM's and compared the GRM derived values against the current assessed values. The county has also obtained gross rent multipliers from area appraisers that is used in valuing rental property in the county.

Other Data Sources

The county has very actively utilized any data that can be obtained from MLS data. TheData is primarily on-line listing fact sheets as comparison of value and also to obtain construction data on both residential and commercial property. During the 2006, 2007, and 2008 trending projects approximately 700 parcels were adjusted as a result of information gathered from MLS data. During the 2009 project the number of parcels reviewed through listing data has fallen due to the decreased number of homes for sale on the open market. The county uses this data in an ongoing basis and the data is not limited just to trending.

As part of the ongoing assessment process the county also has a tax attorney, Marilyn Meighn, on retainer. The county utilizes her services on various appeals each year, for questions relating to exemptions, and interpretation of Indiana Code and directives. She has also coordinated appraisers and expert witnesses for tax appeal hearings.

The Bloomington appraisal firm that has assisted the county with commercial land valuations has also assisted the county with a variety of other projects during the past few years including the appraisal of multiple apartment complexes throughout the county and a review of capitalized income and expense data. The same firm is also assisting the County with a review of rental data on Bedford's shopping center. The county also retains the services of an Evansville appraisal group with assistance on larger industrial facilities.

Neighborhood Revisions

During the 2008 trending project an extensive review of neighborhoods was conducted. As part

of that review various subdivisions within the Bedford City limits were removed from one neighborhood and placed in more appropriate surrounding neighborhoods. While the placement of these subdivisions in their respective neighborhoods seemed appropriate during the 2002 revaluation, sales over subsequent years indicated they should be moved to neighborhoods with different multipliers to bring their assessed values more in line with the market.

Also, during the 2008 review, various small neighborhoods were made inactive and the parcels within those neighborhoods added to adjacent areas with very similar characteristics. Below is a listing of neighborhood combinations:

Bedford #1109 added to 1106; #1123 and 1124 added to #1117, #1108 added to 1103, (1109, 1123, 1124, 1108 now inactive);

Pleasant Run #9704 added to #9705;

Oolitic #1301, 1303, 1304 all added to #1302, #1310 and 1313 added to #1311, #1307 added to #1306;

Perry #9610, 9611, 9612 and 9614 all added to #9613, #9617 added to #9616

While the above neighborhoods were combined because those areas were "overstratified" a few additional neighborhoods were created to address the problem of having commercial and industrial parcels included in the same neighborhood as residential and ag parcels. The commercial and industrial parcels of Marion Township were split from neigh #9401 and added to a new neighborhood #9405.

During the 2009 project additional smaller neighborhoods were combined into larger neighborhoods to further reduce any areas which may have been "overstratified". During the upcoming reassessment the county plans to further adjust neighborhood boundaries and combine additional smaller homogenous neighborhoods.

Time Trending of Sales Outside the 2007-2008 Sales Period

Due to the small size of some of the county's more rural townships the number of available sales from 2007 and 2008 was not sufficient to produce an adequate sample pool of sales. The sale range was expanded to include sales from 2006, 2005 and 2004 if needed. The time adjustment factors tended to be lower than those used during prior trending projects. This was done to reflect the trends shown in the market. In lieu of using a traditional index such as the CPI, the adjustment factors were based upon a variety of methods including opinions of local appraisers and realtors; review of parcels with multiple sales in the past five years; and a review of sales data from prior trending projects.